

**MANKATO / NORTH MANKATO MERGER STUDY:**

**Final Report Findings**

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## **INTRODUCTION**

This report examines the various financial aspects associated with the theoretical consolidation of the City of North Mankato and the City of Mankato.

The report is structured to address components of a cooperative consolidation under MN Statutes 465.81 and 465.82. Under cooperative consolidation, a plan is developed by the local units of government that contains the following aspects:

- Specific cooperative activities the governments will engage in during the next two years;
- The steps that will be taken to achieve the consolidation of the government within the succeeding two years;
- Projections prepared by the Department of Revenue of revenues, expenditures, and property taxes for each government both with and without consolidation; and
- A time-line for implementation.

Because a formal cooperative effort is not proposed at this time, the report will focus on existing service levels, cost of service delivery, and other financial baseline information for each city. This information will be used to develop a financial model for a consolidated city of Mankato/North Mankato. To calibrate the assumptions for consolidation, other cities with characteristics of a consolidated Mankato/North Mankato were examined.

### ***Primer on Consolidation***

There are two methods of municipal consolidation in Minnesota. The first method is defined in MN Statute 414.041. This statute dictates that consolidation takes place under the supervision and direction of the State's Office of Administrative Hearings, Municipal Boundary Adjustments Division. The process is as follows:

1. A petition or resolution is submitted to the chief administrative law judge requesting consolidation; the process may also be initiated by the chief administrative law judge's own motion.
2. A Consolidation Commission is appointed by the chief administrative law judge to conduct hearings regarding the proposed consolidation. After the hearings have been conducted the Commission must issue a report containing findings and recommendations to the chief administrative law judge.
3. Another hearing is conducted, this time under the supervision of the chief administrative law judge.
4. The chief administrative law judge may issue an order accepting or denying the consolidation request based upon criteria listed in MN Statute 414.041.
5. Final approval is dependent upon how the process was initiated:
  - a. If initiated by means of a citizens' petition, then final approval requires a referendum.
  - b. If initiated by means of city council resolution, then no referendum is required.
  - c. If initiated by motion of the chief administrative law judge, then final approval requires both that the order be approved of by the voters of the affected cities in a general or special election and that resolutions of approval from all of the affected city councils are submitted.

The second method is defined in MN Statute 465.81-465.86. Under this statute consolidation takes place according to a Cooperation and Combination Plan. A plan must be adopted by the city council of each municipality that desires to consolidate. Each plan must meet the criteria established in MN Statute 465.82, such as changes in services and treatment of municipal employees. In order for the consolidation to become final, the question must be put to referendum within two years of the process being initiated.

The method defined in MN Statute 465.81-465.86 was originally completed under the supervision of the Board of Government Innovation and Cooperation. This board was sunset in 2002; however, MN Statute 465.81-465.86 was never repealed and remains a legal method for consolidation. Of the 21 municipal consolidations that have taken place in the State of Minnesota since 1970, 4 have done so under MN Statute 465.81-465.86.

The main positive feature associated with the method of consolidation defined in MN Statute 465.81-465.86 is that municipalities are allowed greater control over the consolidation process; the process is more flexible and is designed from the bottom up according to the specific needs and circumstances of the combining municipalities. The process requires a referendum.

In comparison, MN Statute 414.041 does not allow for a great amount of flexibility; the process is dictated and supervised by the chief administrative law judge. However, if initiated by city council resolution, the process does not necessarily include a referendum.

## **MANKATO / NORTH MANKATO BACKGROUND DATA**

### ***Demographics and Geographic Data***

The City of Mankato has a total land area of 18.5 square miles as of October 2009, and has a current population of 36,657, as estimated in 2008 by the Minnesota State Demographer's Office. Additional 2008 estimates via the State Demographer's Office include a total 14,891 households, with an average 2.2 persons per household. As of 2000, Mankato had a density of approximately 2,132 persons per square mile. As of 2000, via U.S. Census information, the City of Mankato had 5,221 owner-occupied homes, with a median value of \$97,400, and 12,759 total housing units throughout the community. In 1999, the median per-capita income was \$17,652, and it was noted that 98.6% of residents were white, versus the United States average of 75.1% at the time. Since 2000, the City of Mankato has had an annual rate of population growth rate of 1.63%.

By comparison, the City of North Mankato has a total land area of approximately 5.2 square miles, and a 2008 population estimate of 13,003 people. Additional 2008 estimates for North Mankato (via the State Demographer's Office) include a total of 5,515 households, with an average of 2.35 persons per household. As of 2000, via U.S. Census information, North Mankato had a density of approximately 1,494 persons per square mile. North Mankato had 3,009 single-family, owner-occupied homes, with a median value of \$120,600, and a total of 5,046 housing units throughout the community. In 1999, the median per-capita income was \$23,916. The 2000 Census noted that 96.5% of North Mankato residents were white, versus the United States average of 75.1% at the time. Since 2000, the City of North Mankato has had an annual population growth rate of 1.27%.

Combined, the Mankato-North Mankato Metropolitan Statistical Area (MSA) has experienced a 12.9% increase in per-capita personal income as of 2007 estimates by the Minnesota State Demographers Office, having risen from \$22,511 in 1997 to \$32,846 in 2007, including adjustment for inflation.

<i>Demographic Comparisons</i>		
	<b>Mankato</b>	<b>North Mankato</b>
<b>Land Area</b>	18.5 square miles	5.2 square miles
<b>Population</b>	36,657	13,003
<b>Annual population growth rate (since 2000)</b>	1.63%	1.27%
<b>No. of Households</b>	14,891	5,515
<b>Average Persons Per Household</b>	2.20	2.35
<b>Density (as of 2000)</b>	2,132 persons / square mile	1,494 / square mile
<b>Total Housing Units (as of 2000)</b>	12,759	5,046
<b>Single-Family, Owner-Occupied Housing Units (as of 2000)</b>	5,221	3,009
<b>Median Home Value (Owner-Occupied, as of 2000)</b>	\$97,400	\$120,600
<b>Median Per-Capita Income (as of 1999)</b>	\$17,652	\$23,916
<b>Ethnicity (as of 2000)</b>	98.6% white	96.5% white

*All information as of 2008 unless otherwise noted.*

## ***Profile of Government***

The City of Mankato operates under a home rule charter as authorized by Minnesota Statutes. The vast majority of the City area is located in Blue Earth Council with a small portion located in Nicollet County. The governmental structure is a council-manager form that has existed since 1952. Policy making and legislative authority is vested in a governing council consisting of a mayor and six council members. The Mayor and City Council are responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the government, and for appointing the heads of various departments. The Mayor and Council are elected on a non-partisan basis. Council members serve four-year staggered terms. The Mayor is elected to serve a four-year term. Five council members are elected by ward. The Mayor and the one remaining council member are elected at large.

The City of North Mankato is a city of the third class as defined by Minnesota Statutes. The City is located entirely in Nicollet County. Policy making and legislative authority are vested in a governing council consisting of the Mayor and four Council members. The Mayor and City Council are responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Administrator. The City Administrator is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government and for appointing the heads of various departments. The Mayor and Council are elected on a nonpartisan basis. Council Members serve four-year staggered terms. The Mayor is elected to serve a two-year term. The Mayor and Council Members are elected at large.

### *City Departments and Service Delivery*

The service delivery system of Mankato is structured around five main service departments and central service cluster of departments. All departments are overseen by the City Manager's office. The City Manager's office includes the City Clerk's function.

- Department of Public Works – Contains the divisions of streets, parks, utilities, transit, garage, and airport. The Department also operates and maintains the City's parking system.
- Department of Public Safety – Contains the Police and Fire divisions.
- Department of Community Development – Provides services in the areas of planning and zoning, building code enforcement/inspections, housing, and economic development.
- Department of Engineering – Designs and inspects all infrastructure improvements in the City.
- Central Services – Contains the departments of Human Resources, Finance Department, Legal, Public Information, and Information Technology. This cluster of departments provides support to the service departments (Public Works, Public Safety, Community Development, and Engineering) in addition to providing the structure of General Governmental functions.

The service delivery system of North Mankato is structured around five departments. Under the North Mankato City Code, seven departments are listed; however, the Administrator has the ability to consolidate streets, parks, and water under a Public Works Department. The service delivery system also contains directors that oversee functions that are not classified within a Department, such as the Finance Director and Library Director. All departments and directors report to the City Administrator, except for the City Attorney which reports directly to the City Council.

- Police Department – The head of this department shall be known as the Chief of Police.
- Fire Department – Chief of the Fire Department shall have general supervision of the Fire Department and the custody of all property used and maintained for the purposes of the Department
- Community Development Department – Includes planning, zoning, platting, all other inspection and code enforcement services, together with such other activities as the City Administrator may determine.
- Legal Department – The Council appoints a City Attorney.
- Public Works Department – The activities are assigned by the City Administrator and currently include streets, parks, water, sanitation and engineering.

Service level comparisons were obtained from each city's 2008 Financial Audit. Other sources, such as police/fire comparison studies, were also utilized. Service levels are clustered into standardized audit categories that are used by the Minnesota Department of Revenue.

The service levels below are confined to the general revenue supported operations of each city. Subsequent analysis will include service levels for areas that are funded by enterprise/proprietary revenue.

<i>Tax Supported Service Indicators</i>					
<b>City of North Mankato</b>			<b>City of Mankato</b>		
<b>Service Area</b>	<b>Service Level</b>	<b>Comparative</b>	<b>Service Area</b>	<b>Service Level</b>	<b>Comparative</b>
<b>Police</b>	4,482 calls for service (less traffic)	.34 calls per thousand	<b>Police</b>	30,911 calls for service (less traffic)	.84 call per thousand
<b>Fire</b>	149 calls. ISO Rating 5	.011 calls per thousand	<b>Fire</b>	1381 calls (less medical) ISO Rating 3	.038 calls per thousand
<b>Total Public Works</b>	66.09 miles of streets and 6 signalized intersections	7.6 miles per square mile. .09 signals per mile of street	<b>Total Public Works</b>	187.73 miles of streets and 55 signalized intersections	10 miles per square mile. .29 signals per mile of street
<b>Total Cultural and Recreation</b>	20 parks, 250 acres.	19 acres per thousand. 7.5% of city area	<b>Total Cultural and Recreation</b>	41 parks/open spaces, 945 acres	26 acres per thousand. 8% of city area
<b>Library</b>	180,554 items checked out	14 items per capita	<b>Library</b>	395,322 items check out	11 items per capita
<b>Building Inspections</b>	976 permits. \$24,455,637 valuation	\$25,057 average valuation of permit	<b>Building Inspection</b>	1,498 permits. - \$67,078,835 valuation	\$44,779 average valuation of permit

### ***Additional Tax Supported Service Indicators***

Mankato experiences a 29% increase in daytime population; North Mankato experiences a 2.6% increase in daytime population. If police calls are adjusted for the 29% increase in daytime population for Mankato, the number of calls per thousand is 654. Thirty-four percent of the Mankato Police calls are related to traffic as compared to 22% for North Mankato. In terms of transportation, Mankato has 15 local street segments that have average daily traffic levels that exceed 10,000 vehicles per day totaling 7.2 miles; North Mankato has 3 such street segments totaling 0.83 miles (Source: MATAPS 2003). In addition to comparable facilities between the two cities, Mankato also operates a 47 site campground, a story book farm zoo, and seven scattered site softball facilities; North Mankato operates a professional level softball complex. The library in North Mankato is owned and operated by the City of North Mankato; the library in Mankato is owned and operated by Blue Earth County – the City of Mankato contracts with Blue Earth County to provide library services. North Mankato has a higher use of the library by residents. Mankato’s Building Inspections Division inspects 1,200 rental units annually and provides fire wall and I&I point of sale inspections. Both cities have comparable fee schedules for building permits.

### *Functional Differences*

The demographics and service indicators reflect the functional difference between Mankato and North Mankato. Mankato functions as a Core Regional City and is classified as a Greater Minnesota Regional Center. This is reflected in the increase in daytime population, regionally based commercial sector and greater number of local high traffic streets. This leads to a service delivery strategy partially based on regional demands.

North Mankato functions as a Suburban City and is classified as a Greater Minnesota Higher Income City, which is a cluster that has a typical population profile of less than 10,000. Daytime population increase is only 7% of what Mankato experiences. North Mankato's retail sector is locally based.

Service delivery for each city is a reflection of budgets that are tailored to meet the needs and characteristics of each community. The designations and functions of the cities influence each city's approach to governance, service delivery, budgeting and finance.

## **MANKATO / NORTH MANKATO FINANCIAL DATA**

### ***Tax Supported Operations – Full Time Employees***

The City of Mankato employs 156 full time employees (FTE's). By comparison, the City of North Mankato employs 54 FTE's. The number of FTE's per service area is comparable within most categories. Exceptions to this include Public Safety, Engineering, Library, and Community Development staff. Mankato employs 87 full time Public Safety employees; North Mankato employs 12. North Mankato utilizes project based contracts to meet its engineering needs. Mankato's Department of Engineering employs 14 FTE's. Mankato contracts with Blue Earth County for its library staff needs. North Mankato employs 6 full time library staff members. Lastly, Mankato employs four FTE's in the City's Department of Community Development; North Mankato's employs one staff member. The number of employees per thousand residents is 4.15 for North Mankato and 4.26 for Mankato. Mankato has five unions, including: transit (AFSCME), public works (Teamsters), fire (IAFF), police officers (LELS), and police commanders (LELS). North Mankato only has unionized police officers.

<i>Tax Supported Operations – Full Time Employees</i>					
City of North Mankato			City of Mankato		
Service Area	Source of Funding	Number of FTE's	Service Area	Source of Funding	Number of FTE's
<b>General Government</b>	General Fund	11.5	<b>General Government</b>	General Fund	14
<b>Public Safety (Less Building Inspections)</b>	General Fund	12	<b>Public Safety</b>	General Fund	87
<b>Public Works (Streets)</b>	General Fund	11	<b>Public Works (Streets)</b>	General Fund	16
<b>Engineering</b>	General Fund	Project Based Contract	<b>Engineering</b>	General Fund	14
<b>Cultural and Recreation - Parks</b>	General Fund	6	<b>Cultural and Recreation - Parks</b>	General Fund	14
<b>Library</b>	General Fund	6	<b>Library</b>	General Fund	Contracted with B.E.C.
<b>Community Development</b>	Franchise Fees	1	<b>Community Development</b>	General Fund	4
<b>Building Inspections</b>	General Fund	6.5	<b>Building Inspections</b>	General Fund	7
<b>Total</b>	-	54	<b>Total</b>	-	156

Regardless of unions, the difference in pay scales are small (please see chart below). Benefit packages are also similar between the two cities. City of Mankato health benefits for a single package are \$408.35 monthly, of which the City pays 100%; family packages are \$1,169.09 monthly, of which the City pays 90% (\$1,052.18). City of North Mankato health benefits for a single package are \$532 monthly, of which the City pays 80% (\$426); family packages are \$1,450 monthly, of which the City pays 80% (\$1,160).

<i>Comparison of Comparable Union/Non-Union Positions (Hourly Wages)</i>				
	<b>Streets</b>	<b>Sewer/Water Operator</b>	<b>Skilled Mechanic</b>	<b>Police Officers</b>
<b>Mankato</b>	\$15.56 - \$21.70 (Union)	\$15.65 - \$22.86 (Union)	\$15.65 - \$21.70 (Union)	\$22.69 - \$27.92 (Union)
<b>North Mankato</b>	\$15.16 - \$21.49 (Non-Union)	\$15.16 - \$21.43 (Non-Union)	\$15.92 - \$22.55 (Non-Union)	\$22.05 - \$27.13 (Union)

*Source: LMC 2009 Salary and Benefits Survey*

### ***Financial Operational Summary***

City functions and major services categories that were funded by taxes and/or governmental fund revenues were examined and compared. Service areas that were funded by proprietary or enterprise funds (water, sewer, storm) were not included in comparisons because no tax revenue or governmental funds are utilized for operations. These enterprise functions were examined separately in regards to rates and capacities. Debt and fund analysis was also included, both tax revenue base and other revenue base. All data was obtained via 2008 Financial Audits, 2008 Approved Budgets and other sources as noted.

### ***Fund and Debt Analysis***

Mankato has available cash in the amount of \$65,339,289, or \$1,784 per capita. North Mankato has available cash in the amount of \$8,073,507, or \$621 per capita. With regards to General Obligation debt, markets are not as concerned with G.O. backed debt if significant projections of revenues are utilized to amortize debt. Each city's bond and credit ratings are compatible as evident by ratings assigned by Moody's and S&P.

The City of Mankato has \$62,629,954 in outstanding revenue debt. Two significant areas of this debt are the Civic Center / Riverfront 2000 fund and the Utility fund. The Civic Center fund has approximately \$10,000,000 in outstanding bond principal as of December 31, 2008. The fund has \$2,029,365 in available cash and investments with an annual income stream of approximately \$4,000,000 plus. The Utility fund has approximately \$58,559,527 in outstanding bond principal. The fund had \$10,524,985 in available cash and investments with an annual income stream of approximately \$15,000,000 plus.

The City of North Mankato has \$11,038,528 in outstanding revenue debt. It appears that the revenue debt is primarily linked to utility backed funding. The combined utility funds have approximately \$1,939,319 in available cash and investments with an annual income stream of approximately \$4,400,000 plus.

Regarding special assessment debt, Mankato has collected in excess of \$1,047,000 in cash and investments from various developers through subdivision agreements. In addition, the Mankato is holding in excess of \$11,000,000 in Letters of Credit from various developers. The investments and Letters of Credit are being held as security for assessments of the respective projects. Assessment terms are normally 10 years. It is assumed that North Mankato has similar security and terms. At the end of fiscal year 2008, Mankato's assets exceeded liabilities by \$230,859,534 and North Mankato's assets exceeded liabilities by \$48,377,465.

The debt limit represents 3% of the total assessed property value. Under state finance law, the outstanding general obligation debt should not exceed the 3% standard. The debt limit for Mankato is \$80,811,483. The debt limit for North Mankato is \$27,437,580. The legal debt margin is the difference between the debt limit and the amount of outstanding G.O. bonds measured in dollars at the end of the fiscal year. The legal debt margin for Mankato is \$76,926,483 (\$80,811,483 minus \$3,885,000). Mankato has 95.19% of its legal debt margin remaining unused. The legal debt margin for North Mankato is \$24,497,850 (\$27,437,580 minus \$2,940,000). North Mankato has 89.28% of its margin remaining unused.

*Core Common Fund Definitions:*

- General Fund – Includes funds for tax supported operations, fire, police, engineering, parks, streets, planning/zoning, and grants.
- Debt Service Fund – Includes Community Investment Fund that secures debt payments.
- Utility Fund – Accounts for water utility, waste water utility, and refuse pickup. The majority of debt is funded via Minnesota Public Facilities Authority (PFA) below market interest rate – state program.
- Storm Water Utility Fund – Funded through storm water charges. Accounts for all storm water infrastructure and flood control costs.
- Equipment Replacement Fund – Funded by depreciation charges to each department. All city vehicles purchased through this fund. No leases and no equipment certificates.
- Sales Tax Fund – Funded by half percent sales tax. Pays for all civic center debt, principal, interest, capital improvements at airport, and major improvements to Riverfront 2000 / City Center Renaissance Plans.
- Park Development Fund – Funded by payments in lieu of parkland dedication. Funds park acquisition and development.

<i>Core Common Fund Balances</i>				
<i>Fund Description</i>	<b>Mankato Cash Balance as of December 2008</b>	<b>North Mankato Cash Balance as of December 2008</b>	<b>Mankato Fund Balance as of December 2008</b>	<b>North Mankato Fund Balance as of December 2008</b>
<b>General Fund</b>	\$9,618,333	\$1,850,762	\$9,157,161	\$1,929,729
<b>Debt Service Fund</b>	\$13,874,862	\$643,752	\$13,349,469	\$160,386
<i>Community Investment Fund (Secures Debt Payments)</i>	\$929,007	-	\$85,159	-
<b>Utility (Water, Waste Water, Refuse)</b>	\$10,543,986	\$3,119,319	\$57,748,147	\$19,867,655
<b>Storm Water Utility Fund</b>	\$1,325,774	\$18,368	\$1,601,585	\$244,140
<b>Equipment Replacement Fund</b>	\$9,917,132	\$5,658	\$16,112,533	\$5,658
<b>Sales Tax Fund</b>	\$3,474,702	\$87,010	\$12,155,900	\$87,010
<b>Park Development and Parkland Fund</b>	\$685,394	\$51,507	\$685,394	\$51,507
<b>EDA Fund (Mankato) / Port Authority (North Mankato)</b>	\$2,920,969	\$2,297,131	\$8,123,247	\$2,892,150
<b>Mankato City Revolving Loan Funds (EDA Activity)</b>	\$3,632,993	-	\$3,278,148	-
<b>Totals</b>	\$56,923,152	\$8,073,507	\$122,296,743	\$25,238,235
<b>Per Capita</b>	\$1,553	\$621	\$3,336	\$1,941

*Figures based upon audited 2008 CAFR of respective cities.*

*Major Additional Fund Definitions:*

- Administrative Services Fund – Fund for functions of general government.
- Central Garage Fund – Funded by per mile charges to all departments. Pays for maintenance, parts, gas, and oil
- Public Safety Grant and Donation Fund – Accounts for all Public Safety grants and donations.
- Police Residual Assets Fund – Funded by surplus balances after merger with PERA. Funds for police capital outlay.
- Risk Management Fund – Funded by insurance rebates
- Improvement Bond Redemption Fund – Funded by petitioned projects not included in bond issuance. Amounts to be spent on public purpose infrastructure and prelim design.

<i>Major Additional Fund Balances</i>				
<i>Fund Description</i>	<b>Mankato Cash Balance as of December 2008</b>	<b>North Mankato Cash Balance as of December 2008</b>	<b>Mankato Fund Balance as of December 2008</b>	<b>North Mankato Fund Balance as of December 2008</b>
<b>Administrative Services Fund</b>	\$2,040,886	-	\$1,483,521	-
<b>Central Garage Fund</b>	\$1,548,281	-	\$1,759,501	-
<b>Public Safety Grant &amp; Donation Fund</b>	\$1,632,652	-	\$1,513,015	-
<b>Police Residual Assets Fund</b>	\$1,317,726	-	\$1,371,726	-
<b>Risk Management Fund</b>	\$661,903	-	\$661,903	-
<b>Improvement Bond Redemption Fund</b>	\$1,274,689	-	\$1,274,689	-
<b>Totals</b>	\$8,476,137	-	\$8,064,355	-
<b>Per Capita</b>	\$231	-	\$220	-

*Figures based upon audited 2008 CAFR of respective cities.*

<i>Debt Analysis: General Obligation Debt</i>		
	<b>Mankato</b>	<b>North Mankato</b>
<b>Moody's Rating</b>	Aa3	A1
<b>Secured by Taxes</b>	\$3,537,258	\$4,811,000
<b>Secured by State Aid</b>	-	\$3,135,000
<b>Secured by Assessments</b>	\$59,067,855	\$13,215,000
<b>Secured by Tax Increments</b>	\$586,330	685,000
<b>Secured by Other Revenues</b>	62,629,954	\$11,038,528
<b>Total General Obligation Debt</b>	\$125,821,397	\$32,884,528
<b>Less: Deb Secured by Revenue</b>	-\$62,629,954	- \$11,038,528
<b>Net Direct General Obligation Debt</b>	\$63,191,443	\$21,846,000
<b>Indirect Debt – Taxpayer Share</b>	\$38,935,204	\$18,040,291
<b>Net Direct and Indirect Debt</b>	\$102,126,647	\$39,886,291
<b>2008/2009 Indicated Market Value</b>	\$2,745,155,062	\$978,365,298
<b>Per Capita – State Demographer Estimate</b>	36,659	13,003
<b>G.O. Net Direct Debt (includes G.O., Assessment, and Increment)</b>	2.30%	2.23%
<b>G.O. Net Indirect Debt (includes only Revenue backed debt)</b>	1.42%	1.84%
<b>G.O. Net Direct &amp; Indirect Debt (combines all G.O. and Revenue debt)</b>	3.72%	4.08%
<b>Net Direct Debt per Capita</b>	\$1,724	\$1,680
<b>Net Indirect Debt per Capita</b>	\$1,062	\$1,387
<b>Net Direct &amp; Indirect Debt per Capita</b>	\$2,786	\$3,067
<b>Levy for Debt Service (actual collections – audit)</b>	\$2,847,674	\$1,268,421
<b>Per Capita Debt Levy</b>	\$78	\$98

*All figures based upon the Bond Official Statements of respective cities unless otherwise noted.*

***Tax Supported Expenditures for Operations***

Mankato’s Public Safety costs are much higher than North Mankato’s due to the cost of Mankato’s combination fire department and costs for dispatch. Mankato’s cost is \$2,630,000; North Mankato’s is \$331,100. North Mankato contracts for engineering services. Mankato has engineering staff that is partially reimbursed via charges for service. Mankato charges for vehicle depreciation within departmental budgets. Charges are transferred to the equipment replacement fund, which is an interval service fund used to purchase equipment with cash. Expenditures per service area reflect total depreciation charges of \$763,882, or \$21 per capita. North Mankato issues Equipment Certificates (bonds) to purchase equipment. Annual cost (not reflected in total expenditures) for debt service is \$338,022 or \$26 per capita.

<b><i>Tax Supported Expenditures for Operations</i></b>					
<b>City of North Mankato Governmental Fund Operations</b>			<b>City of Mankato Governmental Fund Operations</b>		
<b>Service Area</b>	<b>Expenditures for Operations</b>	<b>Per Capita (13,003)</b>	<b>Service Area</b>	<b>Expenditures for Operations</b>	<b>Per Capita (36,659)</b>
<b>General Government</b>	\$1,101,389	\$85	<b>General Government</b>	\$1,481,000	\$40
<b>Public Safety</b>	\$1,772,928	\$136	<b>Public Safety</b>	\$10,224,502	\$279
<b>Public Works (Streets)</b>	\$1,479,445	\$114	<b>Public Works (Streets)</b>	\$3,430,738	\$94
<b>Engineering</b>	\$0	\$0	<b>Engineering</b>	\$723,777	\$20
<b>Cultural and Recreation</b>	\$830,730	\$64	<b>Cultural and Recreation</b>	\$2,681,957	\$73
<b>Library</b>	\$361,834	\$28	<b>Library</b>	\$627,000	\$17
<b>Community Development</b>	\$102,554	\$8	<b>Community Development</b>	\$337,134	\$9
<b>Building Inspections</b>	\$307,184	\$24	<b>Building Inspections</b>	\$587,020	\$16
<b>Total</b>	\$5,956,064	\$458	<b>Total</b>	\$20,093,128	\$548

*Figures based on 2008 audits and approved budgets; does not include capital outlay; includes levy supported grants (misc.).*

**Governmental Fund Revenues**

Intergovernmental revenue includes Local Governmental Aid (LGA). Mankato received \$6,518,624 in LGA, or 23% of revenue. North Mankato received \$1,448,137 in LGA, or 18% of revenue. These numbers reflect the amount received after unallotment. If the cities were merged prior to the 2008 LGA calculation, the singular city would have received an approximate 3% increase in LGA.

<b>Governmental Fund Revenues</b>			
<b>City of North Mankato Comparable Revenues</b>			
<b>Source</b>	<b>Total 2008</b>	<b>Percentage of Total Revenues</b>	<b>Total per Capita Revenue (pop. 13,003)</b>
<b>Property Tax Levy</b>	\$4,630,005	58%	\$356
<b>Other Taxes (Franchise, Motel/Hotel, Charitable Gambling)</b>	\$100,038	1.3%	\$8
<b>Licenses &amp; Permits</b>	\$359,611	4.5%	\$28
<b>Intergovernmental</b>	\$2,435,714	30%	\$187
<b>Charges for Service</b>	\$186,026	2.3%	\$14
<b>Fines and Forfeits</b>	\$48,334	0.6%	\$4
<b>Investment Earnings</b>	\$63,312	0.8%	\$5
<b>Miscellaneous</b>	\$168,361	2.1%	\$13
<b>Total</b>	\$7,991,401	100%	\$615

*Figures based on 2008 audits and approved budgets; Property Tax Levy includes all levies – Port, EDA, and Transit; does not reflect sales tax collections; does not include special assessments paid by benefiting properties.*

<i>Governmental Fund Revenues</i>			
<b>City of Mankato Comparable Revenues</b>			
<i>Source</i>	<b>Total 2008</b>	<b>Percentage of Total Revenues</b>	<b>Total per Capita Revenue (pop. 13,003)</b>
<b>Property Tax Levy</b>	\$12,259,435	44%	\$334
<b>Other Taxes (Franchise, Motel/Hotel, Charitable Gambling)</b>	\$800,779	3%	\$22
<b>Licenses &amp; Permits</b>	\$1,155,885	4%	\$32
<b>Intergovernmental</b>	\$10,007,749	36%	\$272
<b>Charges for Service</b>	\$1,161,934	4%	\$32
<b>Fines and Forfeits</b>	\$298,284	1.1%	\$8
<b>Investment Earnings</b>	\$773,677	2.8%	\$21
<b>Miscellaneous</b>	\$1,317,414	4.7%	\$36
<b>Total</b>	\$27,775,157	100%	\$758

*Figures based on 2008 audits and approved budgets; Property Tax Levy includes all levies – Port, EDA, and Transit; does not reflect sales tax collections; does not include special assessments paid by benefiting properties.*

***Combined Tax Capacity and Rate Information***

The total blended tax capacity is \$42,427,049, with a per capita capacity of \$854.32. The blended levy amount (including EDA/Port Authority) is \$16,889,440 and the total direct tax rate is 38.50. These numbers reflect a blended levy calculation that assumes combined revenues, combined levies, and combined expenditures. Mankato's tax rate increases from 36.56 to 38.50. North Mankato's tax rate decreases from 44.50 to 38.50. The differences are attributed to the blending of the cities' two tax capacities.

<b><i>Mankato/North Mankato Tax Extension Rate Capacity - 2008</i></b>		
	<b>Mankato</b>	<b>North Mankato</b>
<b>Tax Capacity</b>	\$34,093,878	\$10,542,624
<b>Blue Earth County</b>	\$34,041,340	-
<b>Nicollet County</b>	\$52,538	\$10,542,624
<b>Less TIF</b>	\$1,999,356	\$198,385
<b>Less JOB</b>	\$11,712	-
<b>Net Tax Capacity</b>	\$32,082,810	\$10,344,239
<b>Extension Rate</b>	36.56	44.50

<b><i>Combined Tax Supported Operational Expenses</i></b>				
<b>Blended Mankato/North Mankato Tax Supported Operational Expenses</b>				
<b>Service Area</b>	<b>Combined Costs</b>	<b>Combined per Capita (49,662)</b>	<b>Original North Mankato per Capita</b>	<b>Original Mankato per Capita</b>
General Government	\$2,582,389	\$52	\$85	\$40
Public Safety	\$11,997,430	\$242	\$136	\$279
Public Works	\$4,910,183	\$99	\$114	\$94
Engineering	\$723,777	\$15	\$0	\$20
Cultural and Recreation	\$3,512,687	\$71	\$64	\$73
Library	\$988,834	\$20	\$28	\$17
Community Development	\$439,688	\$9	\$8	\$9
Building Inspections	\$894,204	\$18	\$27	\$16
Debt Service – G.O.	\$4,116,095	\$83	\$98	\$78
<b>Total</b>	<b>\$30,165,287</b>	<b>\$607</b>	<b>\$557</b>	<b>\$626</b>

*Adds the existing tax supporting operational costs for each city together with no consideration of reductions; includes amounts collected for G.O. debt service; does not consider capital outlay cost – only operations.*

<b><i>Combined Tax Capacity and Rate Information</i></b>			
<b>Blended Estimated Tax Capacity and Tax Rate – 2008</b>			
<b>Total Blended Tax Capacity</b>	<b>Blended Tax Capacity per Capita (49,662)</b>	<b>Blended Levy Amount (including EDA/Port Authority)</b>	<b>Total Direct Tax Rate</b>
\$42,427,049	\$854.32	\$16,889,440	38.50%

### ***Proposed Adjustments to Tax Supported Operations***

Savings can be realized in a number of areas due to duplication of positions within the general government and departmental administration, including:

- General Government – Savings can be realized by reduction in number of administrators, the possible combination of City Hall facilities, the combination of clerk positions, and the consolidation of financial functions.
- Public Safety – Savings would need to be realized by bringing Mankato’s fire budget in-line with the spending rates of comparable combination fire departments, such as Blaine and Minnetonka. Savings could also be realized by reduction in administrative positions and dispatch.
- Culture and Recreation and Public Works – Savings could be realized by reduction in director level and superintendent positions. Additional savings could be realized by consolidating duplicate recreational facilities.
- Community Development and Building Inspections – Savings could be realized in the reduction of one building official.

Savings could also be realized in the area of debt service by possibly paying off equipment certificates and using the savings for depreciation charges. This would reduce the levy for debt service. A contingency could be included for minor pay and benefit disparities and accounting software updates in the amount of \$150,000. Including these adjustments, calculations show a savings of at least 9% in operations and do not include possible savings in capital outlay.

<i>Possible Adjustments</i>			
<b>Blended Mankato/North Mankato General Government Operations with Adjustments</b>			
<b>Service Area</b>	<b>Combined Costs</b>	<b>Savings/Additions</b>	<b>Final Costs</b>
General Government	\$2,582,389	-\$573,771	\$2,008,618
Public Safety	\$11,997,430	-\$1,371,860	\$10,625,570
Public Works	\$4,910,183	-\$108,809	\$4,801,374
Engineering	\$723,777		\$723,777
Cultural and Recreation	\$3,512,687	-\$195,188	\$3,317,499
Library	\$988,834		\$988,834
Community Development	\$439,688		\$439,688
Building Inspections	\$894,204	-\$98,912	\$795,292
Charged Equipment Depreciation (additional)		\$338,022	\$338,022
Debt Service – G.O.	\$4,116,095	-\$338,022	\$3,778,073
Contingency		\$150,000	\$150,000
<b>Total</b>	<b>\$30,165,287</b>	<b>\$2,198,540</b>	<b>\$27,966,747</b>

*Above savings are General Fund Savings and Attributed to Levy; Combined 2008 property taxes collected equaled \$16,889,440 (includes all levies); less savings of \$2,198,540 equals adjusted 2008 Blended Levy of \$14,690,900.*

*Possible Adjustments*

<b>Blended Mankato/North Mankato General Government Operations with Adjustments</b>			
<b>Service Area</b>	<b>Per Capita (49,662)</b>	<b>Original North Mankato per Capita</b>	<b>Original Mankato per Capita</b>
General Government	\$40	\$85	\$40
Public Safety	\$214	\$136	\$279
Public Works	\$97	\$114	\$94
Engineering	\$15	\$0	\$20
Cultural and Recreation	\$67	\$64	\$73
Library	\$20	\$28	\$17
Community Development	\$9	\$8	\$9
Building Inspections	\$16	\$24	\$16
Charged Equipment Depreciation (additional)	\$7	\$0	\$21
Debt Service – G.O.	\$76	\$98	\$78
Contingency	\$3	\$0	\$0
<b>Total</b>	<b>\$563</b>	<b>\$557</b>	<b>\$626</b>

*Above savings are General Fund Savings and Attributed to Levy; Combined 2008 property taxes collected equaled \$16, 889,440 (includes all levies); less savings of \$2,198,540 equals adjusted 2008 Blended Levy of \$14,690,900*

### ***Combined Adjusted Levy and Tax Rate***

The adjustments result in an overall 7.3% savings including debt service and other adjustments. Total blended tax capacity would stay at \$42,427,049, with a per capita capacity of \$854.32. However, the adjustments would result in a decrease in the blended levy amount from \$16,889,440 to \$14,690,900 (including EDA/Port Authority). The adjusted total direct tax rate also declines to 33.32. The operating tax capacity rate would be 25.06 and the debt service tax capacity rate would be 8.26.

<b><i>Combined Adjusted Levy and Tax Rate</i></b>					
<b>Blended Estimated Tax Capacity and Tax Rate – 2008 (After Adjustments)</b>					
<b>Total Blended Tax Capacity</b>	<b>Blended Tax Capacity per Capita (49,662)</b>	<b>Blended Levy Amount (including EDA/Port Authority)</b>	<b>Total Direct Tax Rate</b>	<b>Operating Tax Capacity Rate</b>	<b>Debt Service Tax Capacity Rate</b>
\$42,427,049	\$854.32	\$14,690,900	33.32%	25.06%	8.26%

***Property Tax Impact***

If the levies were combined with no adjustments to 2008 expenditures, the property taxes in Mankato stay essentially unchanged, while North Mankato property taxes decline. With preliminary adjustments, which are less than the budget reductions since 2008, the tax rate drops by 8.86% for Mankato and 25.12% for North Mankato. The impact of LGA reductions should be relative to the results; North Mankato and Mankato have both taken steps to reduce budgets to 2007 levels to off-set ongoing LGA reductions.

<b><i>Existing Residential Homestead Property Taxes - 2008</i></b>			
<b>Residential Homestead Mankato Illustration</b>			
<b>Current Extension Rate = 36.56%</b>			
<b>Scenario #1 EMV 2008</b>	<b>2008 Tax Capacity</b>	<b>2008 Total Property Tax</b>	<b>2008 City Property Tax</b>
\$165,549*	\$1,655	\$1,502.36	\$605.25
\$182,426	\$1,824	\$1,655.52	\$666.95
\$250,000	\$2,500	\$2,268.75	\$914.00

*Illustration represents the average home values for each city and sample value home*  
*\*Average Home Value in Mankato*

<b><i>Existing Residential Homestead Property Taxes - 2008</i></b>			
<b>Residential Homestead North Mankato Illustration</b>			
<b>Current Extension Rate = 44.50%</b>			
<b>Scenario #1 EMV 2008</b>	<b>2008 Tax Capacity</b>	<b>2008 Total Property Tax</b>	<b>2008 City Property Tax</b>
\$165,549	\$1,655	\$1,787.32	\$736.69
\$182,426*	\$1,824	\$1,969.53	\$811.80
\$250,000	\$2,500	\$2,699.08	\$1,112.50

*Illustration represents the average home values for each city and sample value home*  
*\*Average Home Value in North Mankato*

<i>Combined Expenditures: Property Tax Impact Levy Rate 38.50</i>				
<b>Residential Homestead Mankato Illustration</b>				
<b>Extension Rate = 38.50%</b>				
<b>Scenario #2 EMV 2008</b>	<b>2008 Tax Capacity</b>	<b>2008 Total Property Tax</b>	<b>2008 City Property Tax</b>	<b>2008 City Property Tax Difference</b>
\$165,549	\$1,655	\$1,534.47	\$637.36	\$32.11
\$182,426	\$1,824	\$1,690.91	\$702.34	\$35.39
\$250,000	\$2,500	\$2,317.25	\$962.50	\$48.50

<i>Combined Expenditures: Property Tax Impact Levy Rate 38.50</i>				
<b>Residential Homestead North Mankato Illustration</b>				
<b>Extension Rate = 38.50%</b>				
<b>Scenario #2 EMV 2008</b>	<b>2008 Tax Capacity</b>	<b>2008 Total Property Tax</b>	<b>2008 City Property Tax</b>	<b>2008 City Property Tax Difference</b>
\$165,549	\$1,655	\$1,687.99	\$637.36	-\$99.33
\$182,426	\$1,824	\$1,860.07	\$702.34	-\$109.46
\$250,000	\$2,500	\$2,549.08	\$962.50	-\$150.00

<i>Combined and Adjusted Expenditures: Property Tax Impact Levy Rate 33.32</i>				
<b>Residential Homestead Mankato Illustration</b> <b>Extension Rate = 33.32%</b>				
<b>Scenario #3 EMV 2008</b>	<b>2008 Tax Capacity</b>	<b>2008 Total Property Tax</b>	<b>2008 City Property Tax</b>	<b>2008 City Property Tax Difference</b>
\$165,549	\$1,655	\$1,448.72	\$551.61	-\$53.64
\$182,426	\$1,824	\$1,596.41	\$607.84	-\$59.11
\$250,000	\$2,500	\$2,187.75	\$833.00	-\$81.00

<i>Combined and Adjusted Expenditures: Property Tax Impact Levy Rate 33.32</i>				
<b>Residential Homestead North Mankato Illustration</b> <b>Extension Rate = 33.32%</b>				
<b>Scenario #3 EMV 2008</b>	<b>2008 Tax Capacity</b>	<b>2008 Total Property Tax</b>	<b>2008 City Property Tax</b>	<b>2008 City Property Tax Difference</b>
\$165,549	\$1,655	\$1,602.23	\$551.61	-\$185.08
\$182,426	\$1,824	\$1,765.57	\$607.84	-\$203.96
\$250,000	\$2,500	\$2,419.58	\$833.00	-\$279.50

<i>Existing Commercial / Industrial Property Taxes - 2008</i>			
<b>City of Mankato Commercial / Industrial Extension Rate = 36.56%</b>			
<b>Scenario #4 EMV 2008</b>	<b>2008 Tax Capacity</b>	<b>2008 Total Property Tax</b>	<b>2008 City Property Tax</b>
\$100,000	\$1,500	\$1,361.25	\$548.40
\$500,000	\$9,250	\$8,394.38	\$3,381.80
\$1,178,300	\$22,816	\$20,705.52	\$8,341.53
\$9,528,600	\$189,822	\$172,263.47	\$69,398.92

<i>Existing Commercial / Industrial Property Taxes - 2008</i>			
<b>City of North Mankato Commercial / Industrial Extension Rate = 44.50%</b>			
<b>Scenario #4 EMV 2008</b>	<b>2008 Tax Capacity</b>	<b>2008 Total Property Tax</b>	<b>2008 City Property Tax</b>
\$100,000	\$1,500	\$1,619.45	\$667.50
\$500,000	\$9,250	\$9,986.58	\$4,116.25
\$1,178,300	\$22,816	\$24,632.84	\$10,153.12
\$9,528,600	\$189,822	\$204,937.53	\$84,470.79

<i>Combined Expenditures: Property Tax Impact Levy Rate 38.50</i>				
<b>City of Mankato Commercial / Industrial Extension Rate = 38.50%</b>				
<b>Scenario #5 EMV 2008</b>	<b>2008 Tax Capacity</b>	<b>2008 Total Property Tax</b>	<b>2008 City Property Tax</b>	<b>2008 City Property Tax Difference</b>
\$100,000	\$1,500	\$1,390.35	\$577.50	\$29.10
\$500,000	\$9,250	\$8,573.83	\$3,561.25	\$179.45
\$1,178,300	\$22,816	\$21,148.15	\$8,784.16	\$442.63
\$9,528,600	\$189,822	\$175,946.01	\$73,081.47	\$3,682.55

<i>Combined Expenditures: Property Tax Impact Levy Rate 38.50</i>				
<b>City of North Mankato Commercial / Industrial Extension Rate = 38.50%</b>				
<b>Scenario #5 EMV 2008</b>	<b>2008 Tax Capacity</b>	<b>2008 Total Property Tax</b>	<b>2008 City Property Tax</b>	<b>2008 City Property Tax Difference</b>
\$100,000	\$1,500	\$1,529.45	\$577.50	-\$90.00
\$500,000	\$9,250	\$9,431.58	\$3,561.25	-\$555.00
\$1,178,300	\$22,816	\$23,263.88	\$8,784.16	-\$1,371.96
\$9,528,600	\$189,822	\$193,548.21	\$73,081.47	-\$11,389.32

<i>Combined Expenditures: Property Tax Impact Levy Rate 33.32</i>				
<b>City of Mankato Commercial / Industrial</b> <b>Extension Rate = 33.32%</b>				
<b>Scenario #5 EMV 2008</b>	<b>2008 Tax Capacity</b>	<b>2008 Total Property Tax</b>	<b>2008 City Property Tax</b>	<b>2008 City Property Tax Difference</b>
\$100,000	\$1,500	\$1,312.65	\$499.80	-\$48.60
\$500,000	\$9,250	\$8,094.68	\$3,082.10	-\$299.70
\$1,178,300	\$22,816	\$19,966.28	\$7,602.29	-\$739.24
\$9,528,600	\$189,822	\$166,113.23	\$63,248.69	-\$6,150.23

<i>Combined Expenditures: Property Tax Impact Levy Rate 33.32</i>				
<b>City of North Mankato Commercial / Industrial</b> <b>Extension Rate = 33.32%</b>				
<b>Scenario #5 EMV 2008</b>	<b>2008 Tax Capacity</b>	<b>2008 Total Property Tax</b>	<b>2008 City Property Tax</b>	<b>2008 City Property Tax Difference</b>
\$100,000	\$1,500	\$1,312.65	\$499.80	-\$167.70
\$500,000	\$9,250	\$8,094.68	\$3,082.10	-\$1,034.15
\$1,178,300	\$22,816	\$19,966.28	\$7,602.29	-\$2,550.87
\$9,528,600	\$189,822	\$166,113.23	\$63,248.69	-\$21,222.10

***City Utility Rate Comparisons***

There is approximately an \$8 monthly differential between utility rates for average customers. The difference is attributed to the depreciation of assets that are charged to Mankato customers. Depreciation charges are used to underwrite costs of street reconstructions and other capital improvements. This lowers assessments and rate increases for private property owners. The rate differential amounts to \$100 per year for North Mankato residents. If Mankato rates are adopted, there is a net savings for property owners ranging from \$85 to \$190 per year when considering reduced property taxes. North Mankato has higher a higher service level for refuse pick-ups and is reflected in a higher rate. The North Mankato refuse service level could be expanded to Mankato with the corresponding rate increase for the selected service area. The City of Mankato water usage relies about 45% of deep aquifers and 55% on other sources of water. The City of North Mankato relies 100% on deep aquifers. With continued consumption, the City of North Mankato will be required to acquire permits for drilling to the deep aquifer. The permitting of drilling into deep well aquifers has become increasingly more difficult with new regulations. The cross connection into the City of Mankato water system would be alternative solution to this issue.

<b><i>City Utility Rate Comparisons</i></b>		
<b><i>Assumptions of 8 units of usage</i></b>	<b>Mankato</b>	<b>North Mankato</b>
<b>Water Utility Base Rate</b>	\$4.21	\$10.20
<b>Water Utility Consumption Rate</b> Mankato (\$3.13 x 8) North Mankato (\$2.95 x 3.75)	\$25.04	\$11.06
<b>Total Monthly Water Charge</b>	\$29.25	\$21.26
<b>Wastewater Utility Base Rate</b> (North Mankato base rate includes a mandatory consumption of 3 units)	\$7.51	\$11.40
<b>Wastewater Utility Consumption Rate</b> Mankato (\$3.19 x 8) North Mankato (\$3.45 x 3.75)	\$25.52	\$12.94
<b>Total Monthly Wastewater Charge</b>	\$33.03	\$24.34
<b>Refuse Utility Base Rate</b> (Mankato base rate includes recycling fee and landfill closure fee)	\$12.65	\$18.30
<b>Recycling Fee</b>	-	\$2.45
<b>Total Refuse Charge</b>	\$12.65	\$20.75
<b>Storm Water Utility Base Rate</b>	\$3.00	\$3.25
<b>Total Monthly Utility Billing</b>	\$77.93	\$69.60

*Rates are calculated for fiscal year 2008; 1 unit = 100 cubic ft = 750 gallons.*

## **ADDITIONAL AREAS FOR CONSIDERATION**

### ***Capital Outlay***

After operational costs (including grants), both cities have capacity for capital outlay expenditures without incurring debt. This analysis did not include reductions to capital outlay expenditures. Levy considerations may include using more cash for capital projects and reducing debt issuance.

### ***Infrastructure Capacity***

Both Mankato and North Mankato appear to be well positioned to meet future growth demands. The two cities already partner in treatment of waste water. Mankato relies less on deep aquifer water supplies, which may prove beneficial as regulation of deep aquifer usage increases. The capacity for interconnection exists if necessary. Water systems could be interconnected at treatment points in order to meet future demands. Flood project maintenance is standardized between the cities by the United States Army Corps of Engineers.

<b><i>Infrastructure Capacities – Water Supply</i></b>		
	<b>Mankato</b>	<b>North Mankato</b>
<b>Sources of Drinking Water</b>	Total of 6 wells. Ranney wells at 57 and 58 feet deep – account for 76% of supply. Additional wells at depths of 630ft, 676ft, 848ft, and 852ft.	Total of 4 wells, ranging from 687 to 860 ft deep and utilizing multiple groundwater sources and Mt. Simon aquifer.
<b>Treatment Plants</b>	One treatment plant; utilizes lime softening.	Two filtration treatment plants.
<b>System Capacity</b>	12 million gallons per day.	2.7 million gallons per day.
<b>Average Demand (Daily Use)</b>	4.9 million gallons per day.	1.26 million gallons per day.
<b>Peak Demand</b>	7.7 million gallons per day.	3 million gallons per day.
<b>Miles of Water Main</b>	225 miles of water main.	65 miles of water main.
<b>User Connections</b>	13,328	6,196
<b>Pumps</b>	4 high-service pumps, each with 300hp; each capable of moving 4,000 gallons per minute.	Total capacity to pump 4,600 gallons per minute.
<b>Storage Capacity</b>	11 million gallons in 2 elevated storage tanks and 5 ground storage tanks.	2.8 million gallons.
<b>Water Hardness</b>	160 parts per million	428 parts per million.

<i>Infrastructure Capacities – Wastewater</i>		
	<b>Mankato</b>	<b>North Mankato</b>
<b>Treatment</b>	Mechanical Plant – Activated sludge and anaerobic digestion.	Connected to Mankato’s treatment plant.
<b>Plant Capacity</b>	11,250,000 gallons per day (currently treats 6.7 million gallons per day from all sources).	-
<b>Miles of Sewer Main</b>	170 miles of sewer main (Mankato Only).	-
<b>Average Demand (Daily Use)</b>	5.3 gallons per day.	1.13 million gallons per day.
<b>Peak Flow</b>	22,500,000 gallons per day.	-
<b>Future Capacity Based on Projected Growth</b>	Plant is not expected to meet capacity before the end of its functional life.	-
<b>“End Date” When System is Likely to Reach Capacity</b>	Estimated 2020.	-
<b>Number of Lift Stations</b>	19 (Mankato Only).	-
<b>User Connections</b>	13,700+ total (including Mankato, North Mankato, LeHillier/South Bend, Eagle Lake, Lake Washington, and future Madison Lake.	-

<i>Infrastructure Capacities – Storm Water</i>		
	<b>Mankato</b>	<b>North Mankato</b>
<b>Ponds</b>	49 ponds; 109 acres total (on City property).	21 ponds.
<b>Floodwalls and Gatewells</b>	20 floodgates; approximately 2 miles of floodwalls rated to withstand river height of 32 feet.	1 floodgate; 2.4 miles of levee designed to withstand river height of 32 feet.
<b>Ravine System Details</b>	Ravines cleaned as-needed; 12 creeks are cleaned after every rain event.	Some ravines have storm sewer installed; all 12” to 18” reinforced concrete pipe.
<b>Pumping Stations</b>	5 pumping stations; maximum capacity of 416,900 gallons per minute.	2 pumping stations – located at Webster and Sherman.

## *Assets*

At the end of fiscal year 2008, Mankato's assets exceeded liabilities by \$230,859,534 and North Mankato's assets exceeded liabilities by \$48,377,465. Mankato's assets include large capital items, such as the newly renovated and expanded water treatment facility, waste water treatment plant, civic center, and airport. Combined assets may be considered a positive for financial considerations because debt to asset ratios would be further reduced.

- EDA and Port Authority

This analysis did not reduce EDA or Port Authority levies. The combination of EDA and Port Authority will be an item for further consideration. Since adjustments in funding levels and assets were not considered, the assumption is that programs and initiatives would be blended at levels consistent with current practice. Both the EDA and Port Authority have a low reliance on the levy and are instead funded by external grants and revolving loans. Both cities own buildings and development property and to some degree there is a level of competition in the marketing of these assets. Both cities offer similar incentive packages, which are for the most part limited by State statute.

- Housing Service

Mankato administers federal housing programs – both vouchers and public housing. Blue Earth County also contracts with Mankato to provide services for the remainder of the County. North Mankato contracts with the South Central Housing Authority for housing choice vouchers. North Mankato has one public housing building, Koppen Gardens, which is funded through HUD. Housing programs for both cities are entirely funded by federal grants and therefore produce no levy or revenue impacts. Both cities recently were designated as a Metropolitan Statistical Area (MSA). As an MSA, the merger of resources would result in a greater efficiency and less duplication in administration.

- Mankato Regional Airport

The City of Mankato operates the Mankato regional airport. The airport is funded by federal and state grants and fees. Additional funding for the airport comes from a voter approved sales tax. The airport does not rely on property tax or other revenues.

- Civic Center

Mankato owns and operates the Civic Center. Civic Center operations and capital improvements are funded by event income and sales tax revenue. The Civic Center does not rely on property tax or other revenues.

<i>Capital Assets – North Mankato</i>				
<b>Asset Classification</b>	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>	<b>Per Capita</b>
<b>Land</b>	\$3,387,151	\$490,616	\$3,877,767	\$298
<b>Building/Land Improvement</b>	\$32,942,076	\$22,929,432	\$55,871,508	\$4,297
<b>Machinery &amp; Equipment</b>	\$1,523,216	\$635,749	\$2,158,965	\$166
<b>Construction In-Progress</b>	\$4,222,083	\$0	\$4,222,083	\$325
<b>Total</b>	\$42,074,536	\$24,055,797	\$66,130,333	\$5,086

<i>Capital Assets –Mankato</i>				
<b>Asset Classification</b>	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>	<b>Per Capita</b>
<b>Land</b>	\$2,665,690	\$4,526,057	\$7,191,747	\$196
<b>Building/Land Improvement</b>	\$89,372,433	\$108,975,856	\$198,343,289	\$5,410
<b>Machinery &amp; Equipment</b>	\$6,476,531	\$4,506,091	\$10,982,622	\$300
<b>Construction In-Progress</b>	\$29,585,420	\$34,237,370	\$63,822,790	\$1,741
<b>Total</b>	\$128,100,074	\$152,245,374	\$280,345,448	\$7,648

### *Sales Tax*

Mankato and North Mankato have the authority to collect local option sales taxes. Each city has unique uses for their sales tax revenues. One area for consideration in the event of a merger would be the use of sales tax revenues within the new jurisdiction. Various options could be explored under the Cooperation and Combination Plan that would address the use of sales tax as originally authorized by voters within district areas and for distinct purposes.

### ***Other***

Consolidation can be initiated by petition of registered voters or by both City Councils agreeing to proceed with a formal consolidation study. Regardless, the final merger under a Cooperative Plan would require a referendum. The form of government of the consolidated city would be very important – either a statutory plan or home rule charter city. The charter option may be more flexible and allow for fairer representation. The name of the combination city is also an important consideration. Most consolidations incorporate both names. Additional considerations include, but are not limited to: employee influences, traditions, and community pride.

## **SUMMARY**

This report contains only preliminary findings and suggests a range of other factors for consideration, such as utility rates, sales taxes, and unique city services. However, based on savings from operational costs and a larger combined tax capacity per capita, the merging of the two cities would have positive cost savings for residents and property owners.